



## City Research Online

### City, University of London Institutional Repository

---

**Citation:** Sealy, R. (2013). A 'hands-off' intervention: The UK's approach to increasing women on corporate boards. *Harvard Women's Policy Journal*, 10, pp. 22-36.

This is the accepted version of the paper.

This version of the publication may differ from the final published version.

---

**Permanent repository link:** <https://openaccess.city.ac.uk/id/eprint/4754/>

**Link to published version:**

**Copyright:** City Research Online aims to make research outputs of City, University of London available to a wider audience. Copyright and Moral Rights remain with the author(s) and/or copyright holders. URLs from City Research Online may be freely distributed and linked to.

**Reuse:** Copies of full items can be used for personal research or study, educational, or not-for-profit purposes without prior permission or charge. Provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way.

## **A ‘hands-off’ intervention: The UK’s approach to increasing women on corporate boards**

**By Dr. Ruth Sealy**

Senior Research Fellow and Deputy Director of the international Centre for Women Leaders  
Cranfield School of Management  
Cranfield,  
Bedford MK43 0AL  
UK.

Dr. Ruth Sealy BSc, MSc, PhD, MCIPD

With global expertise on women on corporate boards, Ruth has been the lead researcher of the UK’s annual Female FTSE Report since 2007. She has advised corporations and government in the UK and abroad and contributed to the EU’s discussion on boardroom quotas. Ruth’s research interests cover many aspects of women in leadership, she speaks regularly at academic and practitioner conferences, lectures on post-graduate and doctoral courses, and has written a number of book chapters and journal articles. Prior to becoming an academic, Ruth was the Managing Director of a specialist holiday company, which she sold to a large UK tour operator. She then worked as a management psychologist before joining Cranfield in 2004.

### **Abstract**

The paper was originally written as a case study of the UK’s current policy approach to increasing gender diversity on corporate boards. It was presented at an EU forum on ‘Women in economic decision-making’ in Oslo, May 2012. The forum was an exchange of good practice between nineteen countries with one government representative and one academic from each. The UK, Norway and Denmark were given as case studies. The UK government has taken a non-interventionist ‘business-led’ multiple-stakeholder approach, to avert the need for an EU level policy intervening in the form of legislation. The paper assesses the effects so far.

### **Background and general policy context of the UK**

The UK takes a voluntary regulatory rather than a mandatory legal framework approach to boardroom governance and behaviors, aiming “to set a global standard for good practice in corporate governance” (Heidrick and Struggles 2009, 44). This regulation is overseen by the Financial Reporting Council (FRC) and has been guided by a code of conduct which has undergone a number of reviews over the

past twenty years. The Financial Reporting Council is the UK's independent regulator responsible for promoting high quality corporate governance and reporting, to foster investment. The UK Corporate Governance Code (referred to as 'the Code') is a set of principles of good corporate governance aimed at FTSE-listed (Financial Times Stock Exchange) companies. These public limited companies (PLCs) are required to disclose how they have complied with the Code, and explain where they have not applied the Code - in what the Code refers to as 'comply or explain' (Financial Reporting Council 2012, 4). The Code adopts a principles-based approach in the sense that it provides general guidelines of best practice. This contrasts with a rules-based approach which rigidly defines exact provisions that must be adhered to. The Code is essentially a consolidation and refinement of a number of different reports and codes concerning good corporate governance produced in the UK over the past twenty years.

Reports by Derek Higgs and Laura Tyson into UK corporate governance in 2003 called for more independent directors, greater variety of experience and recommended the use of external search consultants for board appointments. Changes to the Code were made accordingly. Then, in May 2010, a principle was introduced to include for the first time recognition of the value of gender diversity in the boardroom, stating that "the search for board candidates should be conducted and appointments made on merit, against objective criteria and with due regard for the benefits of diversity on the board, including gender" (Financial Reporting Council 2010).

### **Monitoring the boardrooms**

In 1999, Cranfield School of Management's International Centre for Women Leaders (CICWL) created its first index of FTSE 100 companies ranked in terms of their percentage of female board directors, similar to the Catalyst Board Census in the United States. Every year since then the project has grown and now reports on board and executive committee composition of up to 1,400 UK listed companies annually. The report has been backed by government at the highest ministerial level, sponsored by several major businesses and receives much media coverage. The appetite for this information has grown year-on-year.

By 2010, after a decade of reporting, the headline percentage of women on boards in the UK had risen just five percentage points from seven percent to twelve percent. The sense of growing frustration felt by government and women in business was reflected in the media. Following Norway's 2008 adoption of a forty percent quota of either sex on boards and Spain's move to recommended targets, discussion around the European community countries about possible action was increasing. Parts of the then UK government were keen to become more actively engaged with this issue.

In 2010, the Australian Stock Exchange Securities Council (SESC) introduced gender metric reporting as part of its governance code. The aim was to significantly increase the proportion of female board directors and avoid any requirement for (threatened) government intervention in the form of legislation. The SESC figures showing the percentage of new appointments going to women rising from five percent in 2009 to twenty-seven percent in the first half of 2010 demonstrating what could be achieved once the individual stakeholders were motivated (Australian Institute of Company Directors 2011).

Australia has similar board structures and corporate governance rules to the UK and so a similar approach was recommended to the UK government by CICWL. In 2010 a new coalition government took office and, concerned about the lack of progress on the issue of women on boards in the UK, asked Lord Mervyn Davies to set up a review. The choice of individual was important (a male, ex-trade minister and ex-Chairman of Standard Chartered Bank) and was backed by both the Government Equalities Office (GEO) and the department for Business, Innovation and Skills (BIS), signaling that the government saw this as a business issue, not one led by equality. Building on a decade of CICWL statistics and two reports produced for GEO in 2009 (Sealy et al. 2009a; Sealy et al. 2009b), the remit was “to identify barriers preventing more women reaching the boardroom and to make recommendations regarding what government and business could do to increase the proportion of women on corporate boards” (Davies 2011, 6).

A consultation period ensued with a wide range of stakeholders – senior male and female business figures, entrepreneurs, academics, executive search firms, investors, and women’s networks. In addition an online call for evidence produced over 2,600 responses. Lord Davies was supported by a Steering Board of experts from the business world and academia. In February 2011 they produced their initial report (Davies 2011, 6).

### ***The goals and target groups of the Davies Report***

What was crucial and different about the Davies Report was the lack of recommendations and actions aimed at women themselves. This report was not about ‘fixing the women.’ This sent a clear signal to business that the government’s

approach to this issue was squarely aimed at other multiple stakeholders. A summary of the main recommendations of the report are as follows:

- All FTSE 350 Chairmen should set aspirational targets for the percentage of women they aim to have on their corporate boards by 2013 and 2015. FTSE 100 companies should aim for a minimum of twenty-five percent.
- Quoted companies should disclose proportions of women in their workforce and in Senior Executive positions. Chief Executives should review the percentage of women they aim to have on their Executive Committee.
- The Financial Reporting Council (FRC) should amend the UK Corporate Governance Code to require companies to establish a policy on boardroom diversity, including measurable objectives and disclose annually their progress.
- Chairmen will be encouraged to sign a charter supporting the recommendations.
- Chairmen should disclose meaningful information about board appointment process.
- Investors should pay close attention to recommendations when considering companies.
- Companies are encouraged to advertise NED positions.
- Executive Search Firms (ESFs) should draw up a voluntary Code of Conduct addressing best practice for gender diversity on boards.
- The pool from which potential female directors are drawn should be widened. As well as the current corporate mainstream, female academics, entrepreneurs, civil

servants and those with professional services backgrounds should also be considered.

- The Steering Board should meet every six months to review and report progress.

Although thus far regulatory attempts had not led to mandatory legislation in the UK, pressure was mounting for visible progress to be achieved through non-mandatory solutions. Short of that, Lord Davies (2011, 2) reminded the report's audience that:

“Government must reserve the right to introduce more prescriptive alternatives if the recommended business-led approach does not achieve significant change.”

### ***Institutional backing to implement recommendations***

Over the summer of 2011, FTSE 350 companies received letters from the Home Secretary and the Business Secretary, Lord Davies, the Institute of Chartered Secretaries and Administrators and the Cranfield School of Management reminding them of the Davies Report's recommendations.

A six month interim report was launched in October 2011 with a highly publicized Prime Ministerial event at Downing Street. It monitored and stated which and how companies had responded to the Davies' recommendations. Those companies that had not responded in any way then received a personal letter from the Prime Minister, encouraging them to do so. One year on, the annual Female FTSE Report was launched as an anniversary to the Davies Report and continued the focus on the figures of women on boards, and how companies were responding. The Equality & Human Rights Commission (EHRC) funded some research into how the executive

search firms were responding. Another interim report (eighteen months) was conducted with the FRC sponsoring to benchmark corporate reporting changes.

The Steering Board has engaged in dialogue with various other stakeholders and Lord Davies made over 130 public speeches on his report to relevant audiences in the year following the report launch.

### **Impact of the Davies Report: Key Results Eighteen months on**

This section outlines the key results in relation to the baseline situation and specifically considers progress on the recommendations made in the Davies Report.

#### ***Headline Improvements***

Between 1999 and 2010 the percentage of women on the UK top 100 boards increased incrementally from seven percent to twelve percent. At that pace of change it was going to take several decades before the UK could ever reach any degree of gender parity. There have since been some substantive changes following the Davies Report.

Based on the turnover figures from previous Female FTSE Reports (an average, over six years, of fourteen percent), the Davies Report speculated that if one third of all new FTSE 100 board appointments were given to women between 2011 and 2015, then from a starting point of twelve and a half percent female directors, a figure of twenty-three and a half percent could be achieved across the FTSE 100 companies by 2020. However, ensuring that only two thirds of all new appointments go to men would signify quite a change in behavior, as the annual percentage of new appointments going to women over the decade 2001-2010 was on average 14.2 percent - hence the very incremental changes made over that period. Therefore, it is



very encouraging that in the eighteen months since the Davies Report, the percentage of new appointments going to women has risen steadily and in the year to October 2012 reached thirty-four percent.

(INSERT Table 1: The increasing percentage of directorships going to women  
HERE)

This has brought the headline figure of FTSE 100 directorships held by women from twelve and a half percent to seventeen and a half percent (Sealy and Vinnicombe 2012b). This increase of five percent, achieved over an eighteen month period is the same increase achieved in the previous decade.

Trajectories are hard to predict, but useful in order to project the levels of activity required to reach particular goals. In the graph below, the lower line shows the outcome of twenty-five percent of appointments going to women. This predicts a total percentage of women on boards of 22.2 percent by 2015 and twenty-seven and a half percent by 2020 (Sealy and Vinnicombe 2012a).

(INSERT Figure 1: Trajectory of increase for percentage of women on UK corporate boards 2011-2020HERE)

However, there is a noticeable momentum in the UK at present in terms of addressing this issue. Several times every week there are articles in the popular,

business and practitioner press. Thanks to the Davies Report there are multiple stakeholders engaged in trying to solve this problem and many believe that the increasing percentage of new appointments going to women will create a 'wave effect.' This started to occur in the second half of 2012. Therefore, in the second trajectory above, this gathering of momentum is demonstrated with a higher percentage of appointments going to women, increasing at a rate of two and a half percent every six months until it reaches thirty-five percent at the end of 2014 and is then held constant until 2020. The 'wave effect' is clear. This predicts a total percentage of women on boards of 26.7 percent by 2015 and 36.9 percent by 2020. After a decade of incremental increases, these trajectories feel pleasantly optimistic.

As can be seen from Table 2 below, ninety-two of the one hundred companies now have at least one woman on their board (an increase of thirteen companies since 2010), sixty-one have more than one woman – thirty-four companies have two women, a further nineteen have three women, seven companies have four women and one company has five women on its board. The percentage of female Executive Directors has increased from just five and a half percent to 6.7 percent. This figure is clearly still very low and needs to be addressed.

(INSERT Table 2: Female board directors in FTSE 100 companies 2009-2012  
HERE)

In the FTSE 250 companies (companies number 101-350 by market capitalization) we have also seen some significant improvements. Within the boardrooms of those

companies twelve percent (241) directorships are held by women. This has increased from 7.8 percent (154) recorded in the 2010 Female FTSE Report. Historically, the figures of women on boards of the FTSE 250 companies have been much lower than those of the FTSE 100 companies and some commentators would suggest that this is because they are less in the media spotlight than their FTSE 100 counterparts. However, it appears that FTSE 250 Chairmen are beginning to realize the benefits of boardroom diversity and understand that ignoring this issue is no longer acceptable from a governance perspective. The Financial Reporting Council's changes to the Code regarding gender diversity apply to all listed companies.

Of the FTSE 250 companies 170 (sixty-eight percent) now have women in their boardrooms, finally making all-male boards a minority. This figure of 170 has increased from 119 in 2010, and interestingly the number of companies with two or three female directors has also increased substantially from twenty-five to sixty-one. This would indicate that the overall percentage increase of women on FTSE 250 boards has come equally from companies placing their first and also their second woman on the board. The percentage of new appointments going to women has also risen substantially: in the six months to October 2012 it reached thirty-four percent.

### ***Targets and Disclosure***

The Davies Report required that Chairmen should "announce their aspirational targets" for female representation (Davis 2011, 4). A suggested target of twenty percent by 2015 was given. It should be noted that twenty percent was never intended by the Davies Report to be an ultimate goal, merely an achievable stepping stone towards a more realistic balance. There was a mixed response from Chairmen. A year later, of the FTSE 100 companies, forty percent had publicly

stated targets (most targets were around twenty to twenty-five percent, dependent on their starting point). Several other companies declined to set targets, as they already had a quarter or more of their directorships held by women. But the response of about a third of the Chairmen was that whilst they were generally supportive of the aim, they did not like the idea of targets. There appeared to be a conflation of the concept of target with quotas. Interestingly though, many of those who stated resistance to targets have nevertheless gone forward and increased their female representation, thus demonstrating a compliance with the aim of the target.

In January 2012 CICWL wrote to the Company Secretaries of the FTSE 100 companies requesting information on the percentage of women at all levels of each organization. Of the sixty-eight responses we received, thirty-three provided information on their female pipeline. It was interesting to note that whilst some companies could easily pull this data off various reporting tools, several organizations clearly did not routinely track this information. In addition to those companies who did provide information, a further seven stated that the requested information would be reported in their annual report later in the year. Companies should be greatly encouraged to monitor this information going forward and a review of 2012 annual reports suggests that this is an area being developed. It is critical for companies in optimizing their talent management that they are aware of diversity at all levels.

In accordance with the Code of Governance, the Davies report recommended that companies give detailed information about the work of their Nomination Committee, including the process used to search and appoint directors. Given the 2010 amendment to the Code, the recommendation requested information on how specifically diversity is addressed (as opposed to just saying “varied knowledge,

skills and experience”) by the Nominations Committee and whether gender is explicitly considered.

**(INSERT Table 3: Disclosure on Appointments process\* HERE)**

The Six Month Monitoring Report (2011) revealed that almost all of the FTSE 100 companies had a section in their Annual Reports giving details on the work of the Nominations Committee. Almost three-quarters gave reasonable detail regarding the transparency of their process. In line with best practice recommended since 2003, seventy-three percent stated that they engaged an external executive search firm in the appointment process. Given the amendment to the Code mentioning diversity was made in 2010, it was disappointing that only forty-three percent addressed diversity and only twenty percent specifically mentioned gender diversity in regard to their appointment process. However, following the further amendment to the Code in October 2011 (see below), it was expected that many more companies would report in more detail and refer to gender diversity in the 2011/2 Annual Reports.

### ***Financial Reporting Council 2011 Change of Code***

“Following public consultation, the Financial Reporting Council announced in October [2011] that it intends to amend the UK Corporate Governance Code to require companies to report on the board’s policy on boardroom diversity, including gender, on any measurable objectives that the board has set for implementing the policy, and on the progress it had made in achieving the objectives. In addition, the

FRC will amend the Code to identify the diversity of the board as one of the factors to be considered when evaluating its effectiveness. These amendments will formally apply to financial years beginning on or after 1 October 2012, at the same time as other proposed changes to the Code in which the FRC will consult in early 2012, but the FRC has encouraged companies voluntarily to apply the amendments with immediate effect” (Financial Reporting Council 2011).

Financial Reporting Council, October 2011

In October 2012, the FRC asked CICWL to provide a benchmark of how many FTSE 100 companies had voluntarily applied the amendments. Ninety-two of the FTSE 100 companies had published their annual reports within the timeframe considered and encouragingly, sixty percent of them had clearly stated diversity policies for their board, all specifically mentioning gender. In addition, forty-two percent of the ninety-two had set measurable objectives for gender diversity with clear examples given of the processes intended to achieve these aims (Sealy and Vinnicombe 2012b).

### ***Charters and Advertisements***

In March 2011 EU Justice Commissioner Reding launched a “Women on the Board Pledge for Europe,” calling for EU listed companies to sign up before March 2012 (Europa Press Release 2011). The Davies Steering Board decided that a separate UK pledge would be counterproductive, so this has not been pursued.

The other recommendation that has not yet been pursued is that regarding the public advertising of non-executive positions. This has become standard procedure within the public sector and is believed to have made these positions more accessible to a

wider pool of individuals. However, there is currently little or no appetite for this within the private sector.

### ***Investor involvement***

Historically, it has been challenging to engage investors on diversity issues. However, since the Davies Report the investor community has been very proactive in its response. Recommendation six of that report stated that investors “should pay close attention” to the behaviors of companies in terms of the Davies recommendations, including company transparency around targets, reporting on proportions of women at various levels, the appointment process, boardroom diversity policies and measurable objectives (Davies 2011, 5). Twelve of the UK’s largest institutional investors have joined together in the ‘30% Investors Club,’ to help coordinate the investment community’s approach to the issue of increasing female representation on boards. The group has been working towards broadcasting the investment case for more diverse boards, encouraging all investment firms to engage on the issue of board diversity with Chairmen and management teams and to consider the issue when voting on the appointment and re-election of board members. Investors need companies to report diversity information and increasingly the sense is that those companies that do not are at best ignorant (and therefore inactive) or at worse obstructive. Between the twelve investors, they hold £1.8 trillion to invest or divest accordingly.

### ***Executive Search Firms New Code of Conduct***

As a result of the Davies recommendations, in an unprecedented move in July 2011, leading Executive Search Firms (ESFs), historically fiercely competitive, came together and developed a Voluntary Code of Conduct (MWN Consulting 2011). To

date (2012) there have been twenty-six signatories and the code is championed by the Association of Executive Search Companies and the Association of Executive Recruiters. A number of FTSE companies have stated they will only use ESFs who are signatories to the code. The Equality & Human Rights Commission commissioned research into the role of (ESFs) in the board appointment process. A particular emphasis was placed on what was being done to make Boards more gender balanced, with an aim to identify good practice in the executive search sector. Whilst the board appointment process remains opaque and typically driven by a small group of elite Chairmen there is much opportunity for subjectivity around the notion of 'fit.' Prior research reported collusion between Chairmen and ESFs that resulted in a lack of diverse candidates (Vinnicombe et al. 2010). However, in 2012, ESFs reported a heightened awareness of the need to address the issue at board level, both within their firms and among their clients. A number of good practices were found, although the extent to which they are embraced varied from search firm to search firm. Whilst some ESFs appeared to be paying lip-service, a number were proactively engaged with the need to rapidly alter the diversity of the largest boards, the results of which are borne out in the figures (Doldor et al. 2012).

### ***Expanding the Talent Pool***

In the twelve months to January 2012, forty-seven women took up new roles on FTSE 100 boards (twenty-five percent of all new appointments). Of these forty-seven, twenty-nine women (sixty-two percent) had no prior FTSE350 board experience. However, most of these new women did have experience on a range of other boards, including public and charitable sector boards. This is encouraging and shows a change from past trends, when previous Female FTSE Reports have reported a relative recycling of female directors (Sealy et al. 2008). This represents a



good addition to the talent pool, suggesting that the appointment process is beginning to open up to new women and Chairmen and ESFs are being a little more creative with their directorship brief.

Despite the economic climate, a large number of private, public and corporate initiatives continue to be advanced, specifically with the intention of developing the female talent pipeline. In addition the Home Secretary established a Women's Business Council to consider how this work could be brought together to achieve a compounded impact. Company Secretaries were asked for examples of work that their company was undertaking specifically to address talent pipeline issues. Several told of new programs, for example Annual Diversity Reviews, which incorporated many of the Davies recommendations, in terms of monitoring, but also company-specific policies to address the challenges faced by women in their particular environment.

### ***Continuous Monitoring***

The Steering Board is commissioning updates every six months measuring the progress specifically against recommendations concerning targets, policies and reporting measures (Sealy et al 2011; Sealy & Vinnicombe, 2012b). The media coverage ensures that these issues remain in the focus of FTSE board Chairmen.

### **Assessment of the UK's approach**

#### ***The Compliance Approach***

The priority of the 'good practice' discussed in this paper is to improve the representation of women on the UK's corporate boards. The main argument given for this requisite change in the UK is not one based on fairness, but on the 'business

case' for diversity and better talent management. The driver, according to the Prime Minister, David Cameron, is to support economic growth. The aim is therefore to remove obstacles, allowing more women to take positions leading the UK's largest public limited companies.

This 'equal opportunities' approach is often more acceptable for governments and business as it requires only behavioral changes at the margin of mainstream employment practices, proposing incremental change. This is based on a liberal feminist approach of integration into the current system, rather than a more radical feminist approach that challenges the mainstream paradigms, but may bring more immediate and dramatic changes to women's representation.

The majority of Public Limited Companies (PLCs) in the UK are not in favor of any quota legislation and have said that this should be an issue for business to sort out itself. The Davies Report set out how it believed business and other stakeholders could act to ensure a sufficient, timely and sustainable increase in the proportion of women in leadership positions.

As previously mentioned, the UK takes a voluntary regulatory rather than a mandatory legal framework approach to boardroom governance and behaviors. The Code of Governance adopts a principles-based approach, providing general guidelines of best practice as opposed to a rules-based approach which rigidly defines exact provisions that must be adhered to. And whilst companies are expected to 'Comply or Explain,' there is no compulsion or immediate sanction for non-compliance. Following Australia's example, this is the route that the UK government and business have adopted with regards to making changes to female representation on corporate boards.

In the current economic climate, it is an easy excuse to say that diversity initiatives need, along with many other things, to be cut. However, those companies who understand that diversity, and particularly gender diversity, is not a 'nice-to-have' but an economic necessity, given the demographics of our society, the make-up of employees and customers and the need for better corporate governance post-financial crisis, are doubling their efforts to ensure that their initiatives work.

The approach of a government-backed selected Steering Board relies entirely on the voluntary actions of those involved and is labor intensive. The Steering Board, its supporters and various government ministers have needed to use their persuasion and influence without any real power. There has been mention of a 'quota threat,' both from the government and at an EU level, but much of British business simply does not believe this to be any more than empty words.

Of the eight FTSE 100 companies with all-male boards a number of them are predominantly based overseas and listed on the UK stock exchange for strategic reasons. They do not have a real presence in the UK and do not therefore feel under the media scrutiny that others perhaps do. It is interesting to note that there are other aspects of the governance code recommendations that they do not comply with – for example three of the four FTSE 100 companies who have an Executive Chairman (something which is strongly disapproved of in the Code) are among those eight. At a recent meeting of the Davies Steering Board it was proposed that pressure should be brought to bear from the London Stock Exchange for those companies to adhere to more of the Code's recommendations or consider delisting from the UK.

Media pressure and peer pressure to conform have played a significant part in the recent past. There are a handful of the most respected very senior Chairmen who,

for the past two-three years have been quite vocal on the topic. In “Conversations with Chairmen” in the 2010 Female FTSE Report the idea was suggested that these senior FTSE 100 Chairmen had a significant role to play in influencing the FTSE 250 Chairs.

FTSE 100 companies are very media-aware as they are continually in the business and popular press. There is less substantial press coverage of FTSE 250 firms and therefore they can, and believe they can, get away with less compliance on such issues. However, this appears to be changing, particularly as changes are being led by the investor community and the FRC.

### ***Innovativeness***

The structure of the Davies Review was not designed or intended to be particularly innovative, with an open government consultation period and round-table discussions with various stakeholder groups. However, the number of respondents to the online call was a great surprise to the government and another indicator of how seriously this issue needed to be approached. Interestingly, in the corporate world, activity around women’s career issues tends to be organized through company or sector networks and therefore, using social media, the call for responses ‘went viral.’

Whilst it would not be unexpected for such a review to produce a report, the regular monitoring, at stated intervals, set out as a recommendation of this report could be considered innovative. This could have led to members of the Steering Board losing interest and a lack of a long-term commitment, but the group is a small and tight one and has determined to stay with their project.

The emphasis on gender metric reporting was entirely borrowed from Australia. In 2010, two members of Cranfield's International Centre for Women Leaders (CICWL) visited Sydney to learn about their new approach (Branson 2012, 793-814). Australian and UK business are similar in their governance structures (with their regulation based on the rather more pithy *'If not, why not?'*) and socio-cultural challenges concerning women as leaders. Australian business appeared to be responding to a very real quota threat, but it was that significant output could be achieved when the motivation was there. Being able to base the argument for gender metrics on very visible and instantaneous results in a similar business environment, made the idea 'evidence based' and more attractive to both UK government and business.

Certainly in comparison to most other previous reports into gender diversity it was innovative in its breadth of scope of recommendations and its *lack* of suggestions for women to change or adapt their behaviors. The 2010 Female FTSE Report had started this process, with recommendations of actions for Chairmen, CEOs and ESFs. It had also proposed advertising of NED positions and strengthening the 2010 principle on diversity in the Code. The engagement with the investor community is new. However, although the FTSE Report is a well-known, and its headlines are always widely cited in the press, it had not in the past always been read by Chairmen. The Davies Report, which Chairmen could consider to be produced by 'one of them' (Lord Davies is ex-Chairmen of Standard Chartered and another member is a very senior FTSE 100 Chairman) has therefore been welcomed as refreshing in its outlook. This is particularly felt by women themselves, who are often jaded by yet more advice on the 'mistakes' they are making and how they should adapt.

## ***Effectiveness***

Thus far, the evidence shown above suggests that the impact of the Davies Review, eighteen months later, has been incredibly positive. The headline figure for women on boards is increasing at a much faster pace than ever before, the women appear to be taken from a wider pool, the FRC, investors and ESFs have engaged and the majority of Chairmen – whether voluntarily or not – are taking some action to address the issue.

The efficacy so far of this initiative could in part be put down to the breadth of stakeholders involved – the problem is being attacked simultaneously from many angles. In addition, the dogged determination and effort of one man, Lord Davies, should not be underestimated. He is, undoubtedly, a major part of the success of this initiative, but that also becomes its weakness, should his energy wane.

## ***Partnership approach***

The benefits of the multi-stakeholder approach have already been mentioned. But the importance of the individual relationships in the partnership approach should also not be underestimated. Cranfield's International Centre for Women Leaders has always been very cognizant of the importance of partnering with three other stakeholders in the past and has developed these partnerships over a decade. The focus has been on:

- Business (particularly the Chairmen, Heads of Diversity and Senior-most women of the largest corporations). This has sometimes involved sponsorship money, but more often has been about access for research – whether quantitative data on the organisation, or qualitative information gathered

through interviews. The relationship is often two-way, with information also flowing from Cranfield to the organisation to inform at a policy level.

- Government, regardless of politics, touching different individuals and departments (e.g. GEO, BIS – formerly DTI and BURR - Minister for Women, Minister for Equality, Deputy Prime Minister, Home Secretary, Business Secretary, Prime Minister). Again, this has been both about small amounts of sponsorship as well as access. The information flows two-ways and policy decisions have been based on CICWL's research findings.
- Media (particularly the broadsheet business editors and freelancers). CICWL has always been conscious to be generous with both time and information with the media. Frequent and often lengthy conversations with a core group of mainstream journalists over a number of years have altered the way this issue is reported. And how the media reports this issue significantly influences the conversations had. The media has played a substantial part in moving the debate forward about women in leadership and on boards in the UK.

### ***Transferability***

It is difficult to comment on the transferability of the approach currently adopted by the UK. On one hand, as previously mentioned, many aspects of the approach have been 'borrowed,' successfully, from Australian business. With knowledge of women on boards in other Western economies, the natural instinct is to suggest that socio-political, historical and cultural factors are all incredibly important – for example in some cultures the concept of government intervention is more acceptable (e.g. Norway) than in others (e.g. USA). Some societies are perhaps more individualistically focused (e.g. USA and possibly UK) than communally focused.

As well as socio-political factors, the governance and ownership structures of organizations can be very different across countries. For example, in the UK (as in the USA) we have a unitary board system, whereas in many European countries there is a two-tier system. We have above alluded to the different challenges for increasing the numbers of female executive and non-executive directors. Boards in other countries may have directors who are either employee representatives or shareholder representatives. Having these individuals as the 'token female' may be quite different from a female executive or non-executive director. In addition, in some countries (e.g. Norway) there is still a considerable amount of state ownership of the largest corporations. If the government is a major shareholder in these companies, it may make it easier for them to influence conduct around these issues. Other countries may be more legislatively driven in their corporate governance, whereas the UK, as discussed above, has a long history of self-managed governance on the basis of 'Comply or Explain.'

Australia and the UK do have a lot of similarities in terms of corporate governance and ownership structures and some overlap in socio-political factors. However, it would appear that one of the main factors in the apparent success of the approach, both in Australia and the UK is the drive and motivation of individuals behind the project. The importance of this should not be underestimated in the transferability of a similar project.

### ***Sustainability***

As mentioned above, one of the innovative aspects of the Report is its focus on on-going monitoring. The CICWL has been charged with monitoring various aspects of the recommendations every six months until 2015. It is believed this way that the



momentum will be sustained as the spotlight will remain firmly in place on the listed companies. The threat, veiled or otherwise, of some kind of Europe-wide legislation is currently still an issue helping to maintain urgency. At the time of going to press, it had not become clear whether Ms. Reding would announce recommendations (voluntary) or directives (mandatory) on the issue. The clear focus of the Report on multiple stakeholders, all in some way responsible for changing the status quo, may well help to sustain it, as there may be isomorphic pressures to comply and one party would not want to be seen to be the first to drop out.

However, it should not be forgotten that overall responsibility to ensure the sustainable supply of qualified women rests with the company Chairmen and Chief Executives who have a responsibility to identify and develop the next level of senior women within their company. But with all the other partners working together towards the same goal this should both sustain the momentum for demand but also the increased supply.

Let us hope that in ten years' time we look back on this exciting era as a great period of change. For now, only time will tell.

### **List of Abbreviations**

|       |   |
|-------|---|
| BIS   | Department for Business, Innovation and Skills                          |
| CBI   | Confederation of British Industry                                       |
| CICWL | Cranfield School of Management's International Centre for Women Leaders |
| ESFs  | Executive Search Firms  |
| FRC   | Financial Reporting Council   |
| FTSE  | Financial Times Stock Exchange  |
| GEO   | Government Equalities Office  |

|      |  |
|------|--|
| NED  | Non-executive directorship                     |
| PLCs | Public limited companies                       |
| SESC | (Australian) Stock Exchange Securities Council |

## Bibliography

- Branson, Douglas. 2012. Initiatives to place women on corporate boards of directors: A global snapshot. *The Journal of Corporation Law*, 37 (4): 793-814. Can be retrieved from <http://connection.ebscohost.com/c/articles/78952319/initiatives-place-women-corporate-boards-directors-global-snapshot>.
- Doldor, Elena; Vinnicombe, Susan; Gaughan, Mary and Sealy, Ruth. 2012. Gender Diversity on Boards: The Appointment Process and the Role of Executive Search Firms. London. Equality & Human Rights Commission, Research Report 85. Retrieved from [http://www.equalityhumanrights.com/uploaded\\_files/research/rr85\\_final.pdf](http://www.equalityhumanrights.com/uploaded_files/research/rr85_final.pdf)
- Europa. "EU Justice Commissioner Reding challenges business leaders to increase women's presence on corporate boards with 'Women on the Board Pledge for Europe.'" Europa press release, March 1, 2012. Retrieved from <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/124>
- "Executive Search Firms Launch Voluntary Code of Conduct in Response to the Davies Review of Women on Boards." *PRNewsWire*, July 22, 2011. Accessed on 02/13/2012. Retrieved from <http://www.prnewswire.co.uk/news-releases/executive-search-firms-launch-voluntary-code-of-conduct-in-response-to-the-davies-review-of-women-on-boards-145049045.html>
- Heidrick, Gardner, and Struggles, John. 2009. *Boards in turbulent times: Corporate Governance Report 2009*. Chicago: Heidrick & Struggles International Inc., 2009, 44. Retrieved from [https://docs.google.com/viewer?a=v&q=cache:JD\\_aPGQsjgQJ:www.heidrick.com/PublicationsReports/PublicationsReports/CorpGovEurope2009.pdf+See+page+44:+Heidrick+%26+Struggles+\(2009\),+Boards+in+turbulent+times:+Corporate+Governance+Report+2009,+Heidrick+%26+Struggles+International+Inc.+\(page+44\)&hl=en&gl=us&pid=bl&srcid=ADGEEShPP-JmYQ5JTTP275OEnRduuHzRmmLGqfVU\\_rgVP7x4-mTK2fkW9LEmm4P3PR0rlawcvdOnXxn03bJ\\_ekqGYT\\_3tG-scJuUsycsLMhUmvd7mkCO4A8J2C3vtYkgUHULrIIDZ2Yx&sig=AHIEtbRMQuIqMV\\_Pxw6QoQzEM0Q8PMbO\\_g](https://docs.google.com/viewer?a=v&q=cache:JD_aPGQsjgQJ:www.heidrick.com/PublicationsReports/PublicationsReports/CorpGovEurope2009.pdf+See+page+44:+Heidrick+%26+Struggles+(2009),+Boards+in+turbulent+times:+Corporate+Governance+Report+2009,+Heidrick+%26+Struggles+International+Inc.+(page+44)&hl=en&gl=us&pid=bl&srcid=ADGEEShPP-JmYQ5JTTP275OEnRduuHzRmmLGqfVU_rgVP7x4-mTK2fkW9LEmm4P3PR0rlawcvdOnXxn03bJ_ekqGYT_3tG-scJuUsycsLMhUmvd7mkCO4A8J2C3vtYkgUHULrIIDZ2Yx&sig=AHIEtbRMQuIqMV_Pxw6QoQzEM0Q8PMbO_g)
- Higgs, Derek. 2003. Review of the role and effectiveness of non-executive directors. London, UK: Department of Trade and Industry, 2003. <http://www.ecgi.org/codes/documents/higgsreport.pdf>

- Lord, Davies. 2011. Women on boards. CITY: Downing Street Reports, 2011. Retrieved from <http://www.bis.gov.uk/assets/biscore/business-law/docs/w/11-745-women-on-boards>
- Sealy, Ruth and Vinnicombe, Susan. 2012a. The female FTSE board report 2012: milestone or millstone? Cranfield, UK: Cranfield School of Management, 2012. Retrieved from <http://www.som.cranfield.ac.uk/som/p3012/Research/Research-Centres/Cranfield-International-Centre-for-Women-Leaders/Reports>
- Sealy, Ruth, and Vinnicombe, Susan. 2012b. Monitoring new changes to the governance code. Cranfield, UK: Cranfield School of Management, 2012. [http://www.som.cranfield.ac.uk/som/som\\_applications/somapps/oecontent.aspx?pageid=14249&apptype=newsrelease&id=4661](http://www.som.cranfield.ac.uk/som/som_applications/somapps/oecontent.aspx?pageid=14249&apptype=newsrelease&id=4661)
- Sealy, Ruth et al. 2008. The female FTSE report 2008: a decade of delay. Cranfield, UK: Cranfield School of Management, 2008. Retrieved from <http://www.som.cranfield.ac.uk/som/p3012/Research/Research-Centres/Cranfield-International-Centre-for-Women-Leaders/Reports>
- Sealy, Ruth et al. 2009a. Increasing diversity on public and private sector Boards - Part 1 - How diverse are boards and why? London: Government Equalities Office, 2009. Retrieved from <http://www.som.cranfield.ac.uk/som/media/images/research/wbl/geo1.pdf>
- Sealy, Ruth et al. 2009b. *Increasing diversity on public and private sector boards*, Part 2 - What is being done to improve diversity on boards and how effective is this? London: Government Equalities Office, 2009. Retrieved from [https://dspace.lib.cranfield.ac.uk/bitstream/1826/5267/1/299150-2\\_CranfieldReportPt2\\_acc.pdf](https://dspace.lib.cranfield.ac.uk/bitstream/1826/5267/1/299150-2_CranfieldReportPt2_acc.pdf)
- Sealy, Ruth et al. 2011. Women on boards: 6 month monitoring report. Cranfield, UK: Cranfield School of Management, 2011. Retrieved from (LINK). [http://www.som.cranfield.ac.uk/som/som\\_applications/somapps/oecontent.aspx?pageid=14249&apptype=newsrelease&id=4661](http://www.som.cranfield.ac.uk/som/som_applications/somapps/oecontent.aspx?pageid=14249&apptype=newsrelease&id=4661)
- Tyson, D'Andrea L. 2003. *The Tyson report on the recruitment and development of non-executive directors*. London, UK: London Business School and Department of Trade and Industry, 2003. Retrieved from <http://www.london.edu/facultyandresearch/research/docs/TysonReport.pdf>
- Vinnicombe, Susan et al. 2010. *The female FTSE board report 2010: opening up the appointment process*. Cranfield, UK: Cranfield School of Management, 2010. Retrieved from <http://www.som.cranfield.ac.uk/som/p3012/Research/Research-Centres/Cranfield-International-Centre-for-Women-Leaders/Reports>
2012. *Statistics*. Sydney, Australia: Australian Institute of Company Directors, 2012. Retrieved from <http://www.companydirectors.com.au/Director-Resource-Centre/Governance-and-Director-Issues/Board-Diversity/Statistics>.

2012. *The UK corporate governance code*. London: The Financial Reporting Council, 2012, 4. Retrieved from <http://www.frc.org.uk/getattachment/a7f0aa3a-57dd-4341-b3e8-ffa99899e154/UK-Corporate-Governance-Code-September-2012.aspx>
2012. *Women on boards*. London: Downing Street Reports, 2012. Retrieved from <http://www.bis.gov.uk/assets/biscore/business-law/docs/w/12-p135-women-on-boards-2012.pdf>
2011. Feedback statement: gender diversity on boards. London: Financial Reporting Council, 2011. Retrieved from <http://www.frc.org.uk/FRC-Documents/FRC/Feedback-Statement-Gender-Diversity-on-Boards.aspx>.
2010. *The UK corporate governance code*. London: Financial Reporting Council, 2010. Retrieved from <http://www.frc.org.uk/getattachment/b0832de2-5c94-48c0-b771-ebb249fe1fec/The-UK-Corporate-Governance-Code.aspx>